

Message Text

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ACTION EA-14

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TO SECSTATE WASHDC 8105

INFO DOD

CINCPAC

C O N F I D E N T I A L JAKARTA 9164

DOD FOR ISA

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: MASS,MILLID

SUBJECT: SMALL ARMS FACILITY

REFS: A. JAKARTA 3017 B. STATE 055336

1. JOHN MERSCH, CONSULTANT TO LOCKHEED GROUP OF INTERNATIONAL COMPANIES, WHO HAS BEEN TALKING TO GENERAL HASNAN HABIB OVER THE LAST SEVERAL DAYS ABOUT PROPOSAL FOR LICENSING MANUFACTURE OF AR-18 RIFLES AT INDONESIA PINDAD ARSENAL, CALLED ON ME JULY 30 AND GAVE ME COPY OF LETTER ADDRESSED TO GEORGE C. PRILL, PRESIDENT LOCKHEED AIRCRAFT INTERNATIONAL, INC. LOS ANGELES FROM GENERAL HASNAN AS FOLLOWS:

QUOTE DEAR MR. PRILL:

WE ARE PLEASED TO INFORM YOU, THAT THE AR-18 RIFLE BELONGS TO THE GROUP OF RIFLES OF THE SAME CALIBER (.223) WHICH HAS MET OUR EXPECTATION AND HAS PASSED THE TESTS DURING THE
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COMPETITIVE EVALUATION CONDUCTED BY THE

DEPARTMENT OF DEFENCE AND SECURITY LAST YEAR.

THE AR-18 RIFLE IS ONE OF THE THREE OTHER
AR'S BEING RECOMMENDED TO FULLFIL THE
INDONESIAN ARMED FORCES REQUIREMENT FOR A
STANDARD INFANTRY WEAPON.

WE HAVE REVIEWED YOUR PROPOSAL FOR A LICENSE
MANUFACTURING PROGRAM AND FIND IT REASONABLY
RESPONSIVE TO OUR REQUIREMENTS AND DESIRES.

SUBJECT TO THE APPROVAL OF THE US GOVERNMENT
TO INCLUDE IT IN THE MAP WE DESIRE TO
PROCEED AS SOON AS POSSIBLE.

(S) A. HASNAN HABIB
MAJOR GENERAL UNQUOTE

2. COMMENTING ON LETTER AND ON HIS TALKS WITH
HABIB, MERSCH SAID THAT HE BELIEVES GENERAL
HASNAN REALIZES THAT NO MORE THAN "TOKEN"
CONTRIBUTION FROM MAP WOULD BE POSSIBLE BUT
THAT WITH SUCH "TOKEN" CONTRIBUTION (WHICH HE,
AFTER SOME PRESSING
ON MY PARTGN THOUGHT MIGHT BE 1 OR 2 MILLION
DOLLARS OUT OF TOTAL COST OR AT LEAST 30
MILLION DOLLARS), GOI WOULD SEEK ADDITIONAL
FINANCING, SOME OF IT COMMERCIAL, PERHAPS
PUTTING UP SOME OF THEIR OWN MONEY. MERSCH
ARGUED THAT B WAS IN US INTEREST TO BEAT THE
COMPETITION FOR THIS BUSINESS (I.E., LOCKHEED'S
PROVISION OF REQUIRED EQUIPMENT FOR PRODUCTION
OF AR-18) WHICH HE IDENTIFIED AS GERMAN,
BELGIAN AND ITALIAN PRODUCERS OF RIFLES OF SAME
CALIBER AS AR-18. I SUGGESTED ONLY PARTLY IN
JEST THAT IF GERMANY OR OTHER COUNTRY WISHED
TO PUT IP \$30 MILLION IT WOULD COST I DIDN'T
THINK USG SHOULD OBJECT.

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3. I TOLD MERSCH THAT GEN. HASNAN KNEW AS
WELL AS I DID THAT AVAILABLE MAP FUNDS WERE
ALREADY OVERCOMMITTED TO NUMBER OF PROJECTS
AND TO MAINTENANCE EQUIPMENT ALREADY PROVIDED
OF AGREED HIGH PRIORITY. I SAID I SAW NO
PROSPECTS OF MAP FUNDS BECOMING AVAILABLE IN
FORESEEABLE FUTURE FOR SMALL WEAPONS MANUFACTURING
FACILITY. I SAID I HAD MET PREVIOUS PROBINGS

BY GOI ON POSSIBLE MAP FINANCING OF SUCH SMALL
ARMS FACILITY BY SUGGESTING THAT SINCE IT MIGHT
ALSO BE USED FOR MANUFACTURING INCOME PRODUCING
GOODS THAT PRIVATE FINANCING MIGHT BE
AVAILABLE AND WAS, I ASSUMED, BEING SOUGHT BY
GOI. I SAID MY READING OF GEN. HASNAN'S
LETTER ABOVE DID NOT INTERPRET CONDITIONS
HE STATED AS MERE "TOKEN" CONTRIBUTION BY
MAP BUT INDICATED TO ME THAT ENTIRE PROJECT
CONTINGENT ON MAP FINANCING. MERSCH AGREED
THAT THAT WAS INDICATED BY WORDING BUT
MAINTAINED THAT HIS CONVERSATION WITH GEN.
HASNAN HAD INDICATED GREATER FLEXIBILITY AND
SMALLER EXPECTATIONS FROM MAP.

4. COMMENT: AS DEPT AWARE AND AS REFS
ABOVE WILL RECALL, I HAVE AVOIDED HOLDING
OUT HOPE TO INDONESIANS THAT WE MIGHT
FINANCE SMALL ARMS FACTORY OUT OF MAP. I
ASSUME THAT THIS IS IN ACCORDANCE WITH
APPROACH I SHOULD TAKE. PLEASE ADVISE.
GALBRAITH

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NNN

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